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Sent: Friday, August 31, 2001 3:11 PM
To: 'regs.comments@occ.treas.gov'; 'regs.comments@ots.treas.gov'; 'regs.comments@federalreserve.gov'; 'comments@fdic.gov'
Cc: Mary Nelson; Katy Jacob (E-mail)
Subject: Community Reinvestment Act Regulations



Steven McCullough
(E-mail).vcf..

ALSO TO BE MAILED

To Whom It May Concern:

I am writing from Bethel New Life, a faith-based non-profit community development corporation located in Chicago, Illinois, to comment on the Advanced Notice for Public Rulemaking on the Community Reinvestment Act regulations. It is vitally important that we do not lose the progress made in the 1995 revisions to the CRA regulations. While CRA is far from perfect, it has become considerably more effective in opening new markets since the 1995 changes. The following is a list of principles that we believe should be incorporated into the final regulations:

1. Quantitative measures should remain a significant emphasis in the regulations. If the focus on quantitative analysis is rescinded, we will go back to the time when CRA examinations were based on process rather than outcome. At the same time, improvements in measurements that incorporate qualitative differences in lending, investment, or service activities are needed.

2. It is very important that the lending test continue to be a key component of CRA exams. The location, distribution, volume, and quality of an institution's residential, small business, and consumer lending are all important. However, the regulations should direct examiners to also evaluate the quality of an institution's lending. Subprime loans should be examined for predatory features and lenders making a significant number of these loans should not receive Satisfactory lending test ratings. The origination or purchase of loans that violate state or federal lending laws should result in a Substantial Noncompliance lending test rating. Any lender significantly engaged in payday or auto title lending at or above unregulated standard industry rates should receive no higher than a Needs to Improve rating on the lending test.

3. The investment test is critical to evaluating an institution's record of meeting the credit needs of its community and should

be retained as a separate test. Investments are crucial to the capacity of nonprofits, community development banks and others to serve the credit needs of those who are otherwise not well served. Exams should distinguish between different types of investment activity, between lower- and higher-risk investments, and between higher-return and lower-return investments. Investments in mortgage- and asset-backed securities should be reviewed for predatory or illegal lending practices, and banks involved in such practices should be downgraded accordingly.

4. The provision of basic retail banking services is critical to the financial health of low-income people. The service test should be applied to all institutions that provide retail banking services. In the CRA exam process, emphasis should be placed on branches and special weight should be given to the current branch distribution. Banks should not receive Satisfactory ratings on this test if they are involved in alliances that harm low-income consumers, such as alliances with predatory payday loan firms. Banks that by their nature do not provide deposit products for low-income customers should have to document their support for community development financial service providers in order to receive a Satisfactory rating on this test.

5. The current definition of a "small bank" should not be liberalized to include more institutions, because if it were, consumers would lose out, as fewer financial institutions would be required to submit detailed accounts of how they serve their communities. Also, the small bank performance standards are not currently adequate. Since small bank exams focus on lending, their lending records should be examined in the same fashion as large banks. The limited scope and infrequency of small bank exams seriously reduces any burden on such institutions. All banks should be examined for their provision of loans, investments, and retail services in underserved areas and to underserved individuals. Exams should employ quantitative and qualitative measures as well as emphasis on assessment areas, geographic distribution of loans, and level of service to low-income people.

6. The existing regulations on assessment areas are not sufficient in today's market, where Internet, credit card, telephone and other types of banking that are not rooted in bricks-and-mortar proliferate. The agencies should not only take physical branches into consideration when evaluating an assessment area but should consider where the bank takes a significant portion of its deposits or makes a significant portion of its loans. Also, no large bank should be allowed to go below the county

level  
when defining its assessment area in a particular metro area or state  
The  
appropriate agency should regularly evaluate a bank's delineation of its  
assessment area to make sure it does not violate the intent of the  
regulations.

7. The lending of a bank's affiliates should  
always  
be examined; this should not be up to the bank to decide. Failing this,  
the  
regulations should specify that an institution could choose only whether  
to  
have all affiliates included in the exam, rather than to have some  
affiliates included and others excluded. Moreover, all residential,  
consumer  
and small business lending products of all affiliates should be  
examined.

8. Small business data, which are critical to  
the  
meaningful evaluation of a bank's CRA performance, should be revised to  
mirror the Home Mortgage Disclosure Act (HMDA) format and be made  
available  
to the public. Data should be reported on each loan application,  
including  
race and gender of applicants. Small business renewals or refinances  
should  
also be separated from regular originations.

9. Institutions should be required to report and  
make public data on account holders, including income, race, census  
tract of  
residence, average balance, type of account, and whether the account was  
opened in the reporting year.

10. The current definition of "community  
development" is too broad. In particular, "activities that promote  
economic  
development by financing small businesses and farms" is far too general.  
Business development activities should meet the following criteria to  
fall  
under the definition of "community development": 1) affected firms are  
small  
businesses located in low- or moderate-income geographies or are  
minority-owned; and 2) the activity of the firm is not perceived as  
deleterious to the community (payday loan stores, liquor stores, etc.).

Thank you for your attention to these matters.  
Please let me know if you have questions about our response or if you  
require further information.

Sincerely,

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